

A REPORT TO THE UNITED STATES CONGRESS

Required by
The National Defense Authorization Act for Fiscal Year 1996
(*Section 906*)



RIGHT-SIZING THE DEPARTMENT OF DEFENSE

ACQUISITION WORKFORCE

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January 28, 1997

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EXECUTIVE SUMMARY

THE REQUIREMENT AND RESULTS:

The Department of Defense submits this report in response to Section 906, Restructuring of Department of Defense Acquisition Organization and Workforce, of the National Defense Authorization Act for Fiscal Year (FY)1996 (P.L. 104-106). This law required the Department to reduce the number of military and civilian employees in Acquisition Organizations (defined by DoDI 5000.58 and excluding certain depot trade skill personnel) by 15,000 in FY 1996. The National Defense Authorization Act for FY 1997 (P.L. 104-201), subsequently modified this requirement to an actual reduction of 15,000 by FY 1996 and 30,000 by FY 1997, compared to a the FY 1995 baseline number. The law further required a report including a restructuring plan *that if implemented*, could:

- result in an acquisition workforce (defined by the Secretary of Defense) 25% smaller in five years (FY 1996 - FY 2000),
- eliminate duplication of functions (if existent), and
- maximize the opportunity for consolidation among the Department's acquisition organizations to reduce management overhead.

The law also required the report to include an assessment of specific streamlining and restructuring options.

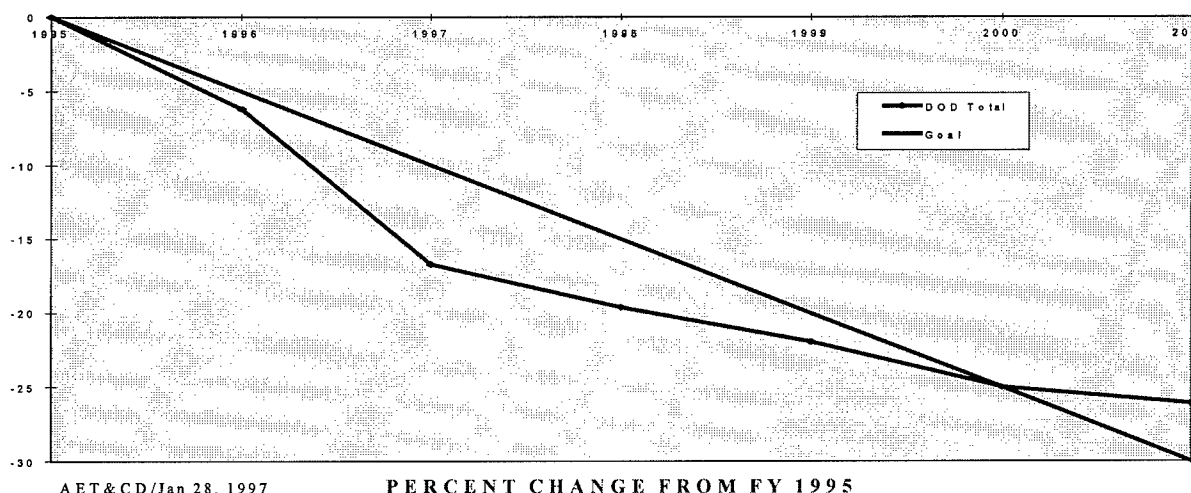
In FY 1996, the DoD reduced **23,802** personnel (military/civilian, excluding certain depot trade skill personnel) employed by or assigned to its acquisition organizations. We estimate an additional reduction exceeding **20,000** in FY 1997, allowing the Department to more than adequately accomplish a two-year mandated reduction of 30,000. Without the depot skilled-trades exemption, the Department actually reduced personnel in acquisition organizations by **30,377 in FY 1996**. We estimate a **two year reduction (FY 1996 - 1997) of over 56,000, or 13.2%**.

In these same organizations the Department of Defense orchestrated a significant reduction from an all time employment high of 617,000 in FY89. As of the end of FY96, these organizations reduced 36.3% of assigned personnel. We estimate that **by FY 2000, this overall reduction will be 46.7%, or 288,800 people.**

The Department's plan (Section 906 a., b., & c.), results in an acquisition workforce estimated to **be 25% smaller** at the end of FY 2000, compared to FY95. It consists of the Department's annual budget submission and the Future Years Defense Program (FYDP) which reflect these reductions, and the detailed report following. These documents currently incorporate all existing guidance, acquisition reform savings, planned right sizing activities and planned actions to reduce overhead and eliminate duplication. Aggregated, the plans result in a 25% smaller acquisition workforce. The attached report details the past and planned activities, guidance, associated studies and management actions that the department will continue to use to right size the acquisition organizations and workforce. The following chart shows the trend of the defined workforce over the five-year period that results from the Department's programmed actions and right sizing activities.

ACQUISITION WORKFORCE

(Acquisition Organizations Less Depots)



DEFINING THE ACQUISITION WORKFORCE:

Over time, different groups both within and outside of the Department use varying definitions for the acquisition workforce. This use of multiple definitions causes confusion and misinterpretation. This issue again surfaced in preparing this report and studying the Department's activities. For Section 906 d., the law defined the acquisition workforce as all personnel employed in or assigned to acquisition organizations defined in DoDI 5000.58. In providing the report requested in Section 906 a., b., & c., the Department used the following workforce definition; ***all personnel assigned to or employed by acquisition organizations defined in DoDI 5000.58 less depots.*** As a follow on to this study, the Department will thoroughly review existing definitions and will modify the current definition, or re-define the acquisition workforce to more accurately define those Department personnel actually engaged in acquisition functions.

RIGHT SIZING THE DEFENSE DEPARTMENT'S ACQUISITION WORKFORCE:

Achieving the optimum size as well as structure of the DoD acquisition workforce and infrastructure is a highly dynamic, iterative and deliberate process that must fully integrate numerous competing requirements and restrictions. The Department's ability to effectively right size the acquisition workforce, like Acquisition Reform, is a bottom-up initiative, supported by the empowerment of the Services and agencies. It is not a top-down mandate, specifically dictated reduction, or "cookie-cutter" organizational template applied to a laundry list of organizations accomplishing acquisition functions.

The report identifies significant influencing factors that allow the Department to achieve a right-sized workforce, identified in our budget submissions to the Congress and FYDP. Driving this process and allowing us to be proactive and plan, vice being reactive, are:

- acquisition reform,

- Identifying areas for privatization and outsourcing,
- National Performance Review (NPR) objectives,
- specific programming guidance,
- full implementation of previously identified process and policy improvements,
- achieving benefits from earlier studies and recommendations,
- other, associated on-going studies and evaluations,
- developing and training acquisition professionals equipped to execute a broad range of acquisition functions in a highly dynamic global environment,
- managing reorganizations, restructuring and personnel reductions to provide flexibility and posturing for changing requirements,
- implementing best commercial practices.

Some specific items influencing the Department's plan, and resulting in this significant reduction of 25% over five years are:

- fully implementing the Federal Acquisition Streamlining Act of 1994 and Federal Acquisition Reform Act of 1995,
- DoD-wide cultural change, full use of IPTs (Integrated Product Teams), Single Process Initiatives, Simplified Acquisition Threshold and EC/EDI (Electronic Commerce/Electronic Data Interchange),
- achieving full benefits from previous BRAC closures,
- results of the Vision 21 study/plan to reorganize the DoD laboratories and T&E centers,
- results of the QDR Acquisition Infrastructure Task Force review,
- previous Department guidance to reduce the civilian workforce from FY 1995 - FY 2001, (actual reductions of 28.6% from FY 1989 to FY 1997(E)),
- military drawdown of 32% from FY1989 to FY 1997(E) (2.130 - 1.452 million),
- planning guidance to reduce RDT&E activities' workforce by 35%,
- Defense TOA reductions of 32.4% (constant FY97\$ from FY89 - FY00(E)),
- mandated 25% reduction in OSD staff over five years,
- increased service and agency involvement in identifying and executing (empowerment) restructuring and cost reduction activities and programs,
- direction for a 15% management headquarters reduction.

CONCERNS AND ISSUES:

To continue achieving the excellent results in managing the acquisition workforce, the DoD will maintain focus on structures, activities, policies and programs that support right-sizing acquisition organizations and the workforce. To effectively accomplish this, the Department must continue to have the widest management flexibility and latitude to both plan and execute. It will continue with centralized identification of the vision, goals and policies needed while using decentralized execution and management by the Services and Components. The Department will continue its full support for acquisition reform and empowerment of our organizations to maintain the momentum already exhibited. Dictated reductions or arbitrary goals are not supportive in achieving our long-term organizational or workforce needs. Stable budgets will greatly assist the Department in effectively leading, managing and right-sizing the workforce and acquisition structures. Maintaining adequate funding levels for accomplishing statutory education, training and career development needs of the workforce are a must.

CONCLUSION:

The Department's results in actively managing the acquisition workforce are significant. The FY 1996 actual reductions and estimates of further right sizing in FY 1997 indicate payoff from numerous prior plans, studies and activities. The long term results, from FY 1989 and estimates out to FY 2000, reflect a continued emphasis on active management and diversity in the acquisition community. The Department is confident of our ability to achieve further improvements and achieving the reductions currently planned for in FY 2000, while posturing our acquisition workforce to fully support diverse mission requirements in the 21st century.

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INTRODUCTION

This report provides the Department of Defense (DoD) response to Section 906 of the National Defense Authorization Act for Fiscal Year (FY) 1996 (P.L. 104-106). Equally important, it details the outstanding results obtained to restructure -- **RIGHT SIZE** -- the Department's Acquisition Workforce. Through the leadership of vigorous acquisition reform, astute management in a highly dynamic environment and great innovation, the acquisition workforce will be significantly smaller at the end of FY 2000 when compared to the base line number of FY 1995. The Department estimates **a 25% smaller workforce** at the end of the five year period. This report specifically addresses the requirements in Sections 906 a., b., & c., and details how the Department will manage a dynamic and highly diverse workforce, resulting in a *RIGHT SIZED* organizational structure to support both current and future acquisition responsibilities.

The requirements in Section 906 include:

- a plan, that if implemented, would restructure (or right size) the acquisition organizations to obtain an acquisition workforce 25% smaller at the end of FY 2000, when compared to the end of FY95;
- eliminating duplication of functions among acquisition organizations and reducing overhead;
- assessing specific alternatives for consolidating functions and/or elimination of elements of DCAA and DCMC;
- specifically reduce the workforce by 15,000 personnel (less depot skilled trade) in FY 1996. (Note: Section 902 of The National Defense Authorization Act for FY 1997, P.L. 104-201, added an additional requirement of a 30,000 total reduction by FY 1997 compared to the baseline year of FY 1995.)

Acquisition plays a key role in our nation's defense. It provides needed material and services that support the National Military Strategy. It provides the framework to assure the DoD can effectively execute all of its world-wide missions, continue its modernization efforts and react accordingly in a dynamic and ever changing world. Therefore, it is imperative that we reform and continuously improve the acquisition system to be better, faster, and cheaper so that it always provides the warfighters the material they need to fight and to win. Therefore, it is natural that our organizational structure continuously evolves and the workforce changes both in the number of people involved and in what they do. The complexity of acquisition encompasses a very broad range of functions that requires and affects multiple career fields.

Viewed in its broadest context, the acquisition mission of the DoD comprises not only procurement and program management but numerous other diverse activities defined in DODI 5000.58. These other highly integral functions are: "the planning, design, development, testing, contracting, production, introduction, acquisition logistics support, and disposal of systems, equipment, facilities, supplies, or services that are intended for use in, or support of, military missions". Correspondingly, the organizational structure to accomplish this mission is large, complex and evolving. It requires a dynamic, professional and diverse workforce which includes both civilian and military personnel performing these numerous and varied duties.

The acquisition workforce is the personnel component of the Department's acquisition system. It is not an entity of its own, but the personnel resources required to manage, direct and execute the diverse and dynamic acquisition requirements, for both peace-time and war-time missions.

DoD's monumental efforts in re-engineering the acquisition system have led the improvements achieved over the last three years. The changes enacted and implemented to date have led the way for corresponding modifications to the dynamic organizational structure and workforce accomplishing our acquisition missions. It is the Acquisition Reform effort that paves the way for changes and reforms to the complete system, the Acquisition Workforce being an integral part .

The implementation of the Federal Acquisition Streamlining Act of 1994 (Public Law 103-355), the Federal Acquisition Reform Act of 1995, and many other acquisition reforms each contribute to the overall objective of accomplishing the acquisition mission most efficiently. Acquisition reforms, as one downsizing driver, help make it possible to achieve the mission with a smaller workforce. Process reforms are essential for the Department to provide the warfighters the systems and material needed to fight and win.

VISION

To guide the vast on-going reform efforts in the Department, the Acquisition Reform Team developed a guiding vision. This vision directs, leads and focuses all efforts to achieve the desired improvements in the DoD acquisition system:

That the Department of Defense will be recognized as the World's smartest, most efficient, and most responsive buyer of best-value goods and services that meet our warfighter's needs.

To obtain this vision, the Department must use new principles to revolutionize the way it does business - implementing a fundamental shift in procuring goods and services. The DoD must implement acquisition reform, be responsive to our customers by putting their needs first and providing them the best product or service for the money, in the most timely and efficient manner possible, through use of a flexible and agile acquisition system, including a workforce and organization matched to the mission.

Translating this vision into actions (improvements, changes, new policies and procedures), requires a totally dedicated and professional acquisition workforce. This is critical to ensuring success in the future and totally institutionalizing reforms. The effective education, training, and career development of both military and civilian acquisition professionals, and in the right quantities, is key to fully realizing the potential of our ongoing initiatives.

DEFINING THE ACQUISITION WORKFORCE

The term "*Acquisition Workforce*" has many definitions, just as the acquisition mission has many facets. Which definition to adopt depends mainly on how one views the larger term, acquisition, the context in which the definition is applied and equally important is a need for consistency with definitions already in use.

In general there are two primary approaches to defining the workforce. The first is to identify certain **organizations with a mission** that fits the concept of acquisition and to count all the people in those organizations as comprising the acquisition workforce. The second approach is to identify **the functions that compose acquisition** and then to identify the people (normally by career field or occupational series) performing those specific functions of duties. Variations and combinations of these two approaches are also in use. While some confusion is inevitable, workforce definitions are adopted according to the context of a particular use or study.

Recognizing there are numerous definitions used to identify the acquisition workforce, we believe that it is time to evaluate those definitions most prevalently used. The Department will address this issue separately from this report.

For this report (required by Section 906 a., b. & c.) the Department defines the acquisition workforce as those personnel assigned to or employed by acquisition organizations, defined by DoDI 5000.58, less depots.

Section 906 permits the Secretary to define the Acquisition Workforce for this report. Further, it appears consistent to exclude depot personnel from consideration of possible additional reductions, since: there is significant debate on if and how much acquisition work is done there; the ongoing studies, reviews and interest in the Department's depots and trades personnel specifically concerns these personnel; and that changes in operations and maintenance accounts appear to have more impact on this segment of the workforce.

OPTIONS & METHODOLOGY TO RESTRUCTURE THE WORKFORCE

Developing the plan required in Section 906 of the FY96 Authorization Act could be done using several methods. There are numerous ways to reorganize and change an organization's structure. Of importance to the Department is identifying the method that allows for the right size organization to evolve that incorporates acquisition reforms and provides the requisite support to the warfighters. The selected method should also allow for the dynamics of changing requirements and utilize best accepted methods and practices, whether governmental or commercial.

In developing and selecting our methodology, we considered reorganization methods that included:

- A mandated equal reduction of 25% to all organizations identified as acquisition;
- A dictated structure from the top down;
- Allowing each organization to define its organizational structure and resulting workforce.
- Implementing previously identified organizational changes, regardless of how they fit into the current reforms of the acquisition system.
- Taking no overt action, but rather wait and react to approved budgets or funding levels.

In selecting our methodology and identifying how the Department could restructure or right size the workforce, we evaluated options using some basic requirements. The method selected, must:

- support the DoD's implementation of acquisition reform,
- support active management of the workforce,
- allow for maximum flexibility by the identified organizations (proactive and not totally reactive to dictated manning levels),
- account for real-world differences in missions, requirements and dynamics,
- allow for quantifying the acquisition workforce at both the organizational, service or agency and department level.

In deciding on our methodology we also reviewed acquisition reform initiatives, previous studies, recommendations, reorganizations, downsizing drivers and the historical trends in the size of the acquisition workforce.

PREVIOUS RESTRUCTURING ACTIONS, REORGANIZATIONS & STUDIES

Over the years there have been numerous studies on restructuring DoD acquisition organizations. The most recent of these include the 1986 Packard Commission, the subsequent "Goldwater-Nichols Act" and the 1995 Commission on Roles and Missions (CORM). The Packard Commission recommended and "Goldwater-Nichols" implemented, the establishment of Component Acquisition Executives and Program Executive Officers (PEO) under a Defense Acquisition Executive in charge of all Defense acquisition. In it's 1995 review of the current acquisition organization and structure, the CORM found the acquisition executive and PEO structure to be satisfactory and did not recommend a unified organization or acquisition agency. In fact the CORM specifically recommended against such a move cautioning that "...separating those functions from their operational elements would introduce additional risk for only modest gain." However, the CORM did recommend "...collocating similar program offices and consolidating those particular acquisition support activities where there is the widest duplication across Service and/or agency lines, the highest potential savings, and the greatest opportunity to encourage cooperation."

The Defense Base Realignment and Closure Commission's (BRAC) decisions greatly impact existing organizations, structure and workforce size. For instance, after reviewing the CORM recommendations, the Deputy Secretary decided to sustain the Defense Base Closure and Realignment Commission's earlier decisions to move two of the

three service aviation organizations. In order to achieve the maximum benefit from the intent of the CORM recommendation, the Deputy Secretary directed that "...consolidation and collocation of future joint and closely related project offices (is) a matter of DoD policy." Accordingly, the Department amended DoD 5000.2-R to provide for consolidation and collocation of all joint programs at the location of the lead component program office, to the maximum extent practicable.

DoD acquisition organizations have long evaluated their structure and looked for ways to improve. For instance, the Department of the Navy (DON) has been continually downsizing, and evaluating restructuring options, to meet both external and internal manpower goals since 1989. Even before The Report of the National Performance Review (NPR), the Defense Contract Audit Agency (DCAA) was aggressive in reducing operating costs, particularly overhead. Starting in FY 1991, DCAA began a strategic plan process outlining strategies for increasing quality while cutting costs. From fiscal year 1990 to 1994, they reduced staffing - right sized - by approximately 21% of the workforce. In addition, they established aggressive goals for the future size of the organization based upon their own Organizational Assessment.

DOWNSIZING DRIVERS:

Nearly every determinant of organizational structure and workforce composition is dynamic. This is especially true now, as the world situation continually changes and technology advances at ever increasing rates. There are many highly interrelated parameters, operating in concert that influence the size and makeup of the acquisition workforce. There is no single set of actions or parameters that deterministically govern the total. The major underlying driver is workload. The second category of factors is organizational restructuring, such as base closures and realignments, streamlining, privatization initiatives, and the like.

Thirdly, there are policy tools used specifically to constrain the numbers of people in organizations, e.g. the National Performance Review reductions in certain civilian occupations including procurement; the Defense Management Review directives; the current 5% per year downsizing of the Office of the Secretary of Defense; and various hiring freezes. Equally significant are constraints on military manning end strength and civilian full-time equivalents that also impact the acquisition workforce.

Another area with dramatic impact on an organizations structure and size of its workforce is the mission or workload. We find here that not all organizations are equal or the same. For instance, the BMDO (Ballistic Missile Defense Organization) has received programmed increases in the FYDP since FY94, and has realized significant mission changes and organizational needs.

Reductions in manpower budgets of mission funded activities and reductions in program accounts that fund Defense Working Capital Fund activities also contribute to the reduction in personnel.

IMPLEMENTING ACQUISITION REFORM:

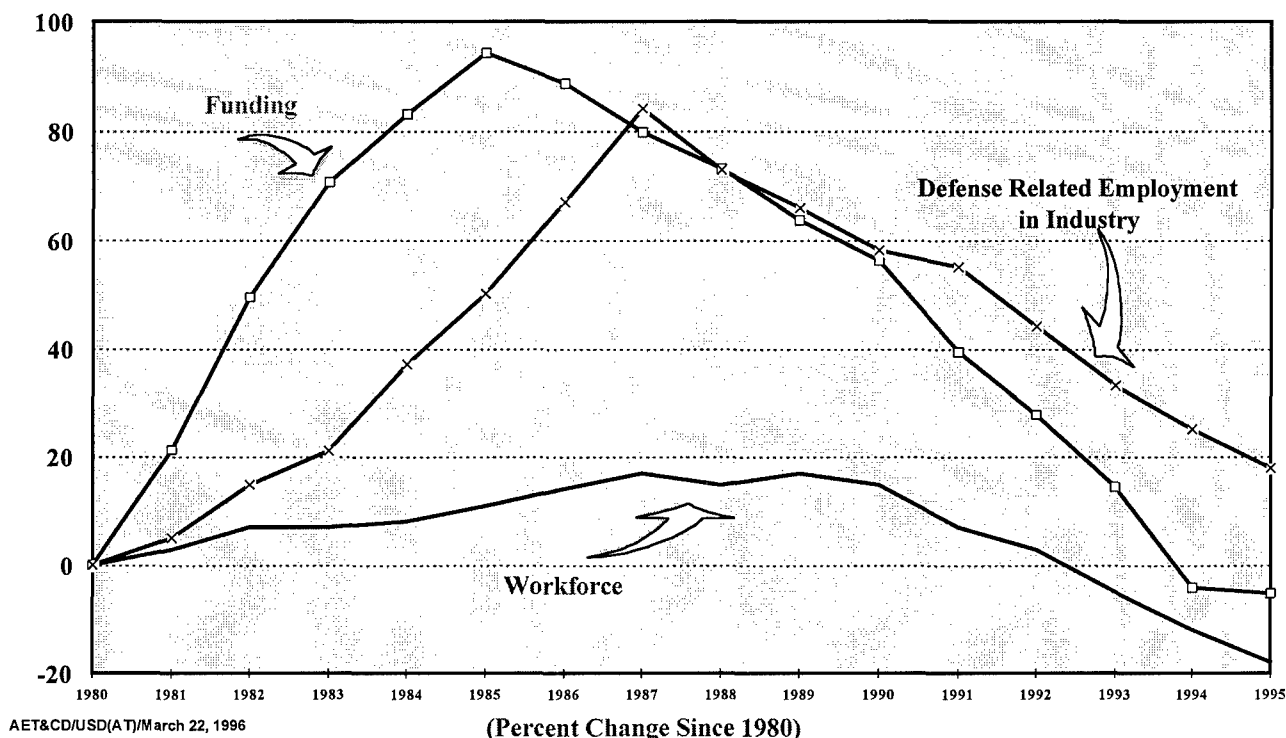
While the workforce reductions may be attributable to the previously discussed downsizing drivers operating in concert, acquisition reforms essentially make it possible to achieve the mission with a smaller workforce. In other words, downsizing factors are already in place and a reduced workforce is a given; consequently process reforms are essential for the Department to provide the warfighters the systems and material needed to fight and win.

The three and one-half years of acquisition reform efforts are now beginning to pay dividends for the Department. It takes time to change, prepare new policies and procedures, implement and change the culture of a massive organization. Further implementation of on-going reforms will continue the excellent results in right sizing the workforce and restructuring our organizations.

HISTORICAL TRENDS

By any definition the acquisition workforce is in a period of downsizing. Using 1980 as the base, the following chart displays changes in the number of people in acquisition organizations ("acquisition organization" definition). By contrast to funding changes (investment total obligation authority in constant dollars) and defense-related employment in industry, the DoD workforce numbers have risen more slowly, peaked later and declined less steeply.

Workforce in Acquisition Organizations



As of FY 1995, the DoD acquisition workforce was more than 30% below the peak level of employment in 1989. It was 18% below the 1980 level and continuing to fall, while

defense related employment in industry was above 1980 levels -- reflecting net privatization of the DoD acquisition workload.

We must view each acquisition organization's projected workforce numbers in the context of its mission and history. A DoD-wide projection is a resulting aggregation of individual projections by organization, function and downsizing driver. With detailed input from the DoD components such an analytic projection is possible.

DISCUSSION:

The Department and each Component regularly looks for efficiencies and savings in all the acquisition associated functions. For example, in research, development, test and evaluation, the DoD has been reducing the workforce from its peak values for each service and will continue to do so, while at the same time maintaining a scientific and engineering workforce that can carry forward this vitally important function into the next century. The hiring constraints in the 90's eroded the critical infusion of scientific and engineering talent. Accordingly, the Department is thoroughly examining options to address this problem, some of which may require legislative changes. The Department will also develop a five-year plan to consolidate and restructure all Defense laboratories and test & evaluation centers, such that any realized manpower-savings targets are concurrent with improving the quality and effectiveness of this workforce.

Mandated "across the board" reductions or a "one-size fits all" organizational structure is not an option that satisfies DoD's needs to right size or restructure. Neither will reacting to budget cuts alone ensure proactive management, right sized organizations or restructuring actions. For instance, an "equal" across the board cut of 25% over 5 years if allocated to the SOAC (Special Operations Command Acquisition Center) would be devastating. It is one of those unique and dynamic organizations. It has ever changing missions, dictated by real-world events.

SELECTED METHODOLOGY:

There is only one option or methodology that fulfills the requirements to provide a professional, right sized acquisition workforce in a highly dynamic environment and provide a response to the requirements of Section 906 a., b., & c.

For this report, we will use a methodology that captures and consolidates for the services and acquisition organization, previous and current actions to restructure, reorganize, implement acquisition reforms and gain efficiency. This method will provide the Department's total approach that leads to a right sized acquisition organization. Using the aggregated Service's and Component's five year (FY96 - FY00) projections will provide an assessment if this methodology yields a workforce 25% smaller at the end of the period.

Using this approach, a separate plan is not required. Collectively, the Department currently uses the President's Annual Budget submission to the Congress, the Program Objective Memorandum (POM) and the Future Years Defense Program (FYDP) as both planning and executing documents that contain the programmed resources resulting from

the specified activities. The budget submissions and FYDP result from a myriad of actions, directions, activities and programs. These are detailed in the following sections of the report. These items adequately cover the proposed five year period of FY 1996 - FY 2000.

RIGHT SIZING THE DOD ACQUISITION WORKFORCE

(Section 906 a., b.)

Under a well-thought out and managed program, the DoD is continuing its efforts to reduce the acquisition workforce in consonance with long range objectives and re-engineering of the acquisition system. The methodology identified above provides for a consolidated review of the numerous activities planned, on-going, or still under study that will provide the right organization and acquisition workforce. The following sections specifically address:

- acquisition reform initiatives,
- results of previous actions and studies,
- on-going actions and activities;
- planned or programmed activities,
- a review of our unique organizations, and
- professional development.

ACQUISITION REFORM:

The DoD continues to fully embrace acquisition reform. Which is instrumental to achieving efficiency improvements, being able to accomplish our peace-time and war-time missions and obtaining optimal organizational structures and manpower levels. It will continue to provide Defense-wide efficiency improvements as well as influence the size and makeup of our acquisition workforce

The acquisition reform efforts encompass all aspects of the acquisition process to include: requirements development, research and development, testing and evaluation, procurement, production, and sustainment. The streamlining of acquisition regulations, implementation of Electronic Commerce/Electronic Data Interchange, and the use of micro purchases with credit cards are all on-going improvements with great results.

Reform initiatives are providing acquisition professionals opportunities to get the most out of every dollar invested to facilitate modernizing our war fighting forces. For instance, streamlined acquisition processes enabled the Army Materiel Command (AMC) to reduce acquisition lead time by 32%. All the organizations are using a number of initiatives to achieve these reductions. Fully implementing the Federal Acquisition Streamlining Act of 1994 (FASA) and the Federal Acquisition Reform Act of 1995 (FARA) contributed significantly, and will continue to contribute, to accomplishing organizational acquisition missions in the most efficient manner possible with a concomitant reduced workforce.

All the services have an acquisition reform office to lead critical thrusts in the areas of world class learning practices, partnering, industrial base integration, acquisition policy,

communications, and training and education. These offices serve as the core change agent for acquisition reform, focusing on key elements to integrate the military and commercial industrial base, increase innovation, foster managed risk, encourage empowerment and establish cross-functional teams using world class commercial practices.

As the Department continues implementation of the 1994 FASA and 1995 FARA legislation and other improved process, some of the results to date include:

- Quicker Payments on Contractor Billings
- Reduced Government Oversight
- Improving the Contract Close-Out Process
- Reinvention Laboratory - Reducing Oversight Costs
- Reduced Government Oversight for Small Government Contractors with Good Business Systems
- Reinvention Laboratories
- Audit Cycle Time Reduction Initiative
- Improving the Proposal Review and Negotiation Process
- Integrated Product Teams
- Single Process Initiative (SPI)
- Pre/Post Negotiation Memorandum (PNM) Initiative
- Requirements/Program Planning
- Electronic Data Processing (EDP) Initiatives
- Multiyear Auditing

For example, the Department of the Navy (DON) is making significant accomplishments in the areas of acquisition reform. In the area of Electronic Commerce/ Electronic Data Interchange (EC/EDI), the DON was the first Service to request Federal Acquisition Computer Network (FACNET) certifications. In their first 12 months the Navy implemented FACNET-EDI at 38 activities. In FY 95, the Navy issued over 4,900 EDI transactions for over \$189 million.

Another example of acquisition reform improvements is the single process initiative (SPI). This initiative transitions contractor facilities from multiple government-unique management and manufacturing systems to the use of common, facility-wide processes. Using a "block change" modification approach, SPI unifies requirements in existing contracts on a facility-wide basis, rather than on a contract-by-contract basis. It is intended to reduce contractor operating costs and achieve cost, schedule, and performance improvements for the government. Benefits of SPI include: more efficient, consistent and stable processes for the contractor; greater ease of contract administration for both contractor and government; and savings for the taxpayer.

For example, the DON extensively uses Total Quality Leadership techniques and Process Action Teams. The Navy also established a special acquisition reform office which focuses on structuring executable programs directly relevant to the acquisition workforce.

RESULTS OF PREVIOUS ACTIONS, PLANS OR REORGANIZATIONS:

The organizational structure of the DoD acquisition community is continuously included in numerous studies and directives done within the Department and externally. Recent examples include:

- the Packard Commission,
- Goldwater-Nichols and DAWIA legislation,
- the CORM,
- the FY96 Defense Science Board study on Privatization and Outsourcing,
- the NPR,
- Defense Management Review directives,
- various internal personnel actions, organizational restructuring, and acquisition reform initiatives.

The Services and Agencies are executing an aggressive program to restructure their acquisition organizations and reduce their workforce while ensuring the professional development of their acquisition professionals.

ORGANIZATIONAL RESTRUCTURING:

Acquisition organizations, like any others, evolve over time as a consequence of restructuring, mission changes, efficiency improvements, budget changes and other directed influences. For example, the Air Force formed the Air Force Materiel Command in FY92, largely from elements of the Air Force Systems and Logistics Commands. This new Air Force Materiel Command (AFMC) also absorbed acquisition functions of the Air Force Communications Command, which therefore is no longer considered to be an acquisition organization. This one restructuring action alone reduced the acquisition workforce in the Air Force by 12,000. Of concern in this report is the fact that the reorganization occurred prior to the baseline year of FY95.

Section 236 of the 1993 DoD Authorization Act limited the Ballistic Missile Defense Organization's (BMDO) contractor workforce. Consequently, since 1992, Strategic Defense Initiative Organizations (SDIO) and now BMDO have reduced contractor effort by over 1,000 workyears. Section 236 also required DoD to determine the proper workforce levels (military and civilian) for the agency. This study determined that the agency required an additional 453 civilian personnel to accomplish its mission and properly manage its support contracts.

The Army initiated a Program Management (PM) Task Force Study in 1988 that created a streamlined Program Executive Officer (PEO) and Program Management Office structure. This restructuring reduced the number of PEOs significantly by FY 1996, projected further consolidations and eliminations in FY99, and expects to achieve a 41% manpower reduction by FY99.

Many restructuring efforts have been done in coordination with the BRAC. This allows for a rational process of base closures, reductions and consolidations without jeopardizing the ability to provide responsive support.

The Army Science Board's study on "Reengineering the Acquisition and Modernization Processes of the Institutional Army" developed recommendations affecting the re-engineering of institutional processes which may have a great potential for savings. This review spans all acquisition and modernization areas. Recommendations may affect the acquisition organizational structure, streamlining of acquisition processes, and improvements in current system development and procurement practices.

In one Acquisition organization, Signal Organization and Mission Alignment (SOMA) focused on improving Command, Control, Communications, and Computer acquisition, procurement, and engineering support for the warfighters and system platforms. This resulted in recommendations for consolidation of organizations, realignment of mission and functions, and streamlining processes to support future requirements. Actions supported the consolidation of two PEO organizations into one and included the realignment of acquisition functions and organizations.

While the updated policy (amended DoD 5000.2-R requiring consolidation and collocation of all joint programs) is limited to future programs, the Deputy Secretary's April 15, 1996, memorandum asks the Secretaries of the Military Departments to review all Acquisition Category (ACAT) I joint programs to eliminate redundancy among programs and increase efficiencies and cost savings through jointness. The review is to consider:

- Those programs that can be collocated and consolidated now or in the future; -
- The benefits which would accrue from such action;
- Other areas in a program that could benefit from additional collocation & consolidation. For example, the following is a non-exhaustive list of areas where jointness/consolidation should be pursued wherever possible:
 - Requirements.
 - Test and Evaluation (T&E).
 - Training.
 - Logistics Support/Spare Parts.

In instances where collocation and consolidation isn't a good management decision, the service/agency is to evaluate the programs for possible multi-service efficiencies that may be gained from cooperative arrangements similar to the Team Hawk Model used for the USA/USAF/USN/International Black Hawk program.

Some examples may help illustrate the focus of our acquisition organizations. The Naval Aviation Systems Team, a partnership which includes the Naval Air Systems Command (NAVAIRSYSCOM), the Aviation Supply Office, the Naval Aviation Program Executive Officers (PEO), and the Direct Reporting Program Manager (DRPM), developed and is in the process of completing a competency-based redesign of their organization and business processes. Their organizational Re-engineering approach has reduced manpower costs; eliminated redundant oversight; realized efficiency gains through decentralization, delegation of authority and the elimination of layers of management; and realized increased productivity and customer satisfaction by providing greatly improved information management resources and training. NAVAIRSYSCOM WILL reduce from 55,000 military and civilian employees (1992) to 33,000 by 1999.

Another successful Navy action is privatization of most of the functions of the Naval Surface Warfare Center, Crane Division, Louisville, Ky. A successful outcome is that most of their civilian workers will be offered employment by the contractor who will operate the plant.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION:

A number of initiatives are ongoing that will result in significant reductions in laboratory and Test and Evaluation (T&E) center personnel and infrastructure. Primary efforts from 1987 to present include the BRAC, service initiatives like Project Reliance, Laboratory Quality Improvement Program (LQIP), NASA/DoD Study, and DoD Business Process Reengineering initiatives. Several of these initiatives are continuing to be implemented as we look forward to prepare our Science and Technology infrastructure for the future. The current plans estimate a possible 29% reduction in RDT&E personnel by FY 2001.

Developing an integrated Science and Technology plan includes many of the following service and agency efforts.

- Reduction in current infrastructure costs with particular emphasis on the elimination of inefficient facilities while retaining critical capabilities for the future.
- Restructuring, to begin with the intra-Service restructuring, including business process re-engineering, with an emphasis on cross-Service reliance.
- Revitalization to modernize aged critical laboratories and T&E centers, with emphasis on technologies of the 21st century, cross-Service sharing, improving efficiencies, and reduced cost of operations and maintenance.

HEADQUARTERS LEVEL REVIEWS:

In 1994, the Army initiated a review that recommended structural changes to better align program management offices and anticipated funding. This streamlining initiative recommended the consolidation and elimination of several program management offices. Specifically, it identified 35 project and product manager positions for elimination and recommended personnel reductions in the Program Executive Offices by approximately 300 positions. These consolidations and realignments will provide more focused management on key modernization objectives while achieving overhead cost and personnel reductions. In particular, the Army streamline information technology acquisition to better conform with the Klinger-Cohen Act.

The Marine Corps created an "Enterprise Model" of its key acquisition activities, functions and processes to improve the interfaces between Headquarters, the Marine Corps Systems Command, and the Marine Corps Combat Development Command.

The Air Force previously initiated several projects, such as: Streamlining Acquisition Organizations; the consolidation of two major acquisition organizations (AFSC AND AFLC in FY92); the SAF/AQ Lightning Bolt Initiatives encompassing activities ranging from streamlining the acquisition test and lab processes to reducing the size and structure of Air Force system Program Offices (SPO); and the AF Civilian Drawdown Challenges initiated to allow the AF to implement the civilian drawdowns driven by the NPR and implemented by the Federal Workforce Restructure Act of 1994.

PERSONNEL POLICIES AND PROCEDURES:

Numerous programs, procedures and policies supported management plans and programmed actions to reduce the workforce. Some were as simple as normal attrition from retirements and separations. Others included conscious, overt actions such as program guidance on restrictions in workforce size, or hiring freezes. Other efforts included such things as reduction of high grades, Voluntary Early Retirement Authority (VERA), Voluntary Separation Incentive Pay (VSIP), Reduction in Force, Priority Placement Program, Job Swap Programs and variations of these.

Military and civilian across the board drawdowns significantly assisted the reduction in the acquisition workforce. In fact, the reductions in the acquisition workforce exceed the overall reduction in both across the board military and civilian reductions. The active duty military reductions of approximately 32% from FY89 to FY97 reduced the active force from 2.130 million to an estimated 1.452 million. The civilian workforce reduction since FY89 has been approximately 28.6% based on the estimated FY97 end strength.

In FY 93, for example, use of VERA and VSIP resulted in the separation of over 2,200 people in one major Navy command alone. This equated to a cost avoidance of over \$6,000,000.

CLOSING ORGANIZATIONS:

As a result of both personnel (military and civilian) reductions and BRAC decisions numerous military installations closed or are scheduled to close. In one service alone, BRAC 95 identified 36 bases for closure and 6 bases for realignment, bringing the grand total for all four rounds of BRAC to 135 bases for closure and 44 bases for realignment. Of these, the Service closed 59 bases and realigned 15 others.

Significant personnel savings accrued from these closings. While many acquisition related installations and facilities closed, they did not always include the large number of personnel as could be found at troop installations. Some notable closings from the Defense Logistics Agency (DLA) include:

- Defense Distribution Depot San Diego, Long Beach facility, FY96
- Defense Distribution Depot Pensacola, FY96
- Reduced from nine Defense Contract Administration Services Regions (DCASRS) into two Defense Contract Management Districts (DCMDs), FY96.

ON-GOING ACTIONS AND ACTIVITIES:

To continue the excellent path of managed reductions and right sizing the force and structure, many planned activities, programs and procedures must continue. Without the decentralized execution of these efforts by the Services and Agencies, our momentum would falter. Some of the key activities continuing in the next few years, allowing the Department to not only continue proactive management of the acquisition workforce, but

supporting the goal of reaching that optimum size of the acquisition workforce and appropriate organizational structure are:

- Modernizing information infrastructure,
- Unifying information technology and providing organization and Command-wide networking,
- Streamline organizations while increasing productivity,
- Focusing workforce right sizing and organization restructuring efforts on management of acquisition programs and affiliated PEOs and DRPM. (10 - 20% of programs require 80% or resources and management time)
- Continue to optimize supervisor to non-supervisor ratios,
- Reduce the number of personnel assigned to staff functions,
- Realign acquisition workforce to meet the workload,
- Driving to leaner organizations, including field activities,
- Centralizing responsibility, accountability and authority for management of field organization functions,
- Reducing or eliminating layers of command considerably,
- Vigorously pursue opportunities for outsourcing and/or privatization, continue actively pursuing opportunities to leverage private sector capabilities that have a demonstrated performance edge to both reduce resources (costs and personnel) and improve service to our customers.
- Continue executing BRAC decisions, resulting in the elimination and/or realignment of elements of acquisition organizations. These actions lead to reductions in the number of on-board personnel,
- Relocating some acquisition organizations which has a positive impact on staffing. For example, the organizational realignment reduces infrastructure, eliminates geographical work boundaries, and facilitates common support services resulting in a positive savings in manpower. Relocations also enhance voluntary attrition as many civilian employees elect not to relocate.
- Continue on-going workforce reductions and maintain any downsizing goals supported by a number of personnel programs. These include, but are not limited to, normal attrition, hiring freezes, reduction of high grades, Voluntary Early Retirement Authority (VERA), Voluntary Separation Incentive Pay (VSIP), expanded VSIP/VERA, Reduction in Force, Priority Placement Program, Job Swap Programs, career counseling and placement centers for departing employees, Job Fairs and Bulletin Boards, Federal/State/County Information Fairs, and the like.

CLOSING ORGANIZATIONS:

As outlined earlier, the BRAC identified large numbers of activities for closure. The Department will vigorously pursue accomplishing shutdown of those identified organizations. This not only provides funds for other uses, but reduces further the acquisition workforce. Some of the future closings in the Department will include:

- San Antonio Air Logistics Center
- Sacramento Air Logistics Center

- Defense Distribution Depot Oakland, Alameda facility, FY97
- Defense Distribution Depot Ogden, FY97
- Defense Distribution Depot Memphis, FY97
- Defense Distribution Depot Letterkenny, date tentative

INTERNAL EFFICIENCY IMPROVEMENT INITIATIVES:

In addition to closings and reorganizations, the Department's acquisition organizations have taken internal initiatives to streamline our structure and achieve efficiencies. Each of these represent innovative acquisition approaches that will achieve significant savings for DoD.

- Direct Vendor Delivery: Vendors of certain materiel ship directly to our customers from their own warehouses.

- Vendor Stocking Program: The vendor stocks material in their own depots, eliminating the need to store and handle the supplies internally.

- On-demand Manufacturing: DLA has an aggressive program in place to both utilize existing commercial industries' capability to provide just-in-time manufacturing services, and to team with industry to build a viable "on demand" manufacturing capability for low demand spare parts that are not available from normal distribution sources within acceptable lead times. This initiative reduces depot storage and handling of stocks thus reducing manpower needs.

- Federal Supply Class Transfer: The transfer realigned Inventory Control Points into two types, creating efficiencies by grouping commodities which are managed using similar processes and support requirements.

- Establishing Product Test Centers: This action combined requirements for product testing, creating process efficiencies which should ultimately result in a manpower reduction.

- Early Contract Administration Service (CAS) Program: Established to share knowledge of contractor capability and performance with the broad customer base in the Department prior to contract award.

- Past Performance Information: DLA is the key departmental source for past performance information, enabling DoD to meet the Federal Acquisition Streamlining Act (FASA) requirement to make past performance information available Government-wide.

- Single Process Initiative (SPI): Transitions contractor facilities from multiple specifications and standards to common, facility-wide processes.

- Government Oversight: The Department is achieving cost savings through reductions in government oversight. Using risk assessment methodology, we are minimizing oversight of low risk contractors.

- Reducing Cycle Times: The DON initiated a cycle time reduction goal to reduce major cycle times by at least 50 percent by the year 2000. Initiatives include logistics response time aimed at reducing the average time it takes to satisfy customer demands for secondary items; pre-milestone I activities aimed at reducing cycle times associated with requirements analysis, concept exploration and other support preparation resulting in expeditious milestone I decisions; and fleet modernization programs aimed to reduce fleet modernization cycle time by 50 percent by the year 2000 through process improvement and process re-engineering.

PERSONNEL POLICIES AND PROCEDURES:

The DoD will utilize all personnel related authority, policies, programs and procedures in both effectively managing and right sizing the workforce. As in the past, the wide range of tools available includes hiring freezes, manpower planning and ceiling guidance, Reduction -in-Force (RIFs), early retirement or incentive programs, such as VERA and VISP.

The authority granted by Congress last year to conduct a civilian personnel demonstration (Section 4308) is essential to the DoD's efforts to streamline, downsize and raise the quality and professionalism of the acquisition workforce. DoD is vigorously pursuing this program through the Personnel Demonstration Process Action Team.

PLANNED, PROGRAMMED AND FUTURE ACTIVITIES:

The DoD will continue with all the previously discussed activities. Additional management actions will logically follow these and new initiatives. There will be continued emphasis to size our acquisition workforce efficiently according to mission needs. All of the Services and Components will pursue achievement of specific manpower, budgeting and program guidance and previous personnel related goals or ceilings.

Additionally, other significant activities with possibly great impact on the acquisition workforce will occur. One of these will be the completion of the Vision 21 Study, which will provide a plan to reorganize and restructure the Department's laboratories and test & evaluation centers over a five year period. The Quadrennial Defense Review's (QDR) Infrastructure Panel, specifically the Acquisition Infrastructure Task Force, will complete their study and evaluation and may make recommendations with significant impact on the acquisition workforce.

Further deliberations are likely with the BRAC process leading to additional base closings. There will be continued efforts to assure that recommendations from the CORM, Defense Science Board, Bottom-up Review and numerous other studies are adequately considered and included, as appropriate, in decisions and newly developed plans. Of importance, the many of the activities discussed are not yet complete. Therefore, it is premature to try to predict their outcome on the acquisition workforce, infrastructure or organizations. Once the studies are complete, the Department will assess the size of the workforce and determine if the recommendations will produce any additional manpower savings.

The Department will monitor the workforce size, as in the past, to assure that it remains on track and reduction efforts are maintained. Appropriate actions needed to get it back on track will be vigorously pursued. Some DLA examples of specific plans include:

- Realigning the Defense Distribution Depot Columbus, FY97.
- Disestablish the Defense Industrial Supply Center, FY99.
- Reduce manpower authorizations in their material management business area by 4% per year due to productivity improvements.

The Navy's NAVSEASCOM, for example, will continue its efforts to attain its goal of a 38 percent reduction in Naval Surface Warfare Center staffing by FY 1999. The Naval Shipyards reprogrammed for an even larger personnel reduction with 3 shipyards slated for closure.

UNIQUE ORGANIZATIONS:

Appendix B lists the Acquisition Organizations outlined in DoD 5000.58. In evaluating the Department's right sizing activities, and personnel reductions to date, one result became clear. Not all acquisition organizations are equal, either in terms of size, mission, geographical dispersion or coverage. Applying reductions across the board, as discussed earlier, is not prudent management. It could in fact have adverse effects. Within this list of organizations, three are rather unique. They are the Ballistic Missile Defense Organization (BMDO), the Special Operations Command Acquisition Center (SOAC) and the Office of the Under Secretary (Acquisition & Technology).

BALLISTIC MISSILE DEFENSE ORGANIZATION:

BMDO's chartered mission is primarily to achieve an effective and rapidly relocatable advanced theater missile defense capability to protect forward-deployed and expeditionary elements of the Armed Forces of the United States as well as friends and allies; secondly, to develop options for an anti-ballistic missile system capable of defending the United States homeland; and thirdly, a follow-on technology program.

However, BMDO's mission is dynamic, and today it is growing in three areas. Additional responsibilities for these new missions, such as cruise missile defense, NMD deployment readiness, and expansion of the JNTF, affecting the BMDO workforce requirements. New mission requirements will necessitate the need to keep all current authorized personnel to absorb these additional responsibilities. All three areas increase the workload of the organization and require manpower changes.

National Missile Defense (NMD) Program. National Missile Defense (NMD) has been recently designated a Major Defense Acquisition Program and the Under Secretary of Defense for Acquisition and Technology has directed the establishment of a joint program office. As a result of congressional direction, the administration has decided to proceed with an extremely aggressive "3+3" program that develops an NMD capability within three years. Pending a congressional decision to stand up the NMD Joint Program Office (JPO) under BMDO, it will reorganize its current limited NMD staff to form the core of the NMD JPO. In order to make the NMD JPO a functional reality, BMD manpower will be realigned to the NMD JPO function to adequately accomplish the test and evaluation, program planning, system development, and system engineering functions

Joint National Test Facility. The addition of the National Test Facility under BMDO's management occurred in 1995 when it transferred from Air Force management. As a result of that action, its name was changed to the Joint National Test Facility (JNTF) and its mission is evolving from one previously dedicated to accomplishing RDT&E activities in support of the BMDO community to one that is highly involved in modeling and simulation efforts for the theater missile defense, national missile defense and eventual cruise missile

defense missions for a large community of users, plus increased emphasis on test and evaluation, international cooperative programs with our Allies, war gaming, demonstrations, and exercises. Manpower already programmed for BMDO in the FYDP will be needed to supplement manning at the JNTF in order to keep its mission afloat.

Cruise Missile Defense Program. BMDO's mission is further expanding to include defense against the Land Attack Cruise Missile (LACM). In the summer of 1994, the Defense Science Board (DSB) performed a review of the LACM threat. The result was that cruise missile defense should be fully integrated with ballistic missile defense (BMD) in a Joint Theater Air Defense (JTAD) architecture. Specifically, the DSB recommended that command and control of cruise missile defense be integrated with aircraft and ballistic missile defenses; LACM be treated, from both an operational and acquisition perspective as part of JTAD; and, that the active defense acquisition strategy consider LACM. A key aspect of this is development of a joint mission architecture which considers the emerging LACM threat and the on going Theater Missile Defense (TMD) weapon systems and Battle Management Command, Control and Communications (BMC3) as part of this BMD architecture. To add a fundamentally more complex and increased mission will affect the present BMDO TMD organization from a manpower perspective.

The BMDO has played a significant role in downsizing its proposed civilian workforce through reductions taken in the FYDP. It is now on a path to stabilize its workforce at a total of 533 civilian and military personnel by FY97.

OFFICE OF THE UNDER SECRETARY OF DEFENSE (ACQUISITION & TECHNOLOGY):

The Office of the Under Secretary of Defense (A&T) encompasses a wide area of responsibility within the Department. It accounts for much less than one percent of the Department's acquisition workforce. It provides broad policy guidance, management and oversight for the entire spectrum of acquisition functions, programs and the workforce. It must satisfy all structure restrictions, guidance and requirements that all other OSD (Office of the Secretary of Defense) organizations follow. Even during times of force reductions, acquisition program cut-backs, and reduced budgets, its requirements continue. As with many organizations, functional and managerial requirements are totally independent of budgets and program size. The OUSD(A&T) is included in the Department's efforts at reducing the OSD staff by 25% over five years.

U.S. SPECIAL OPERATIONS COMMAND ACQUISITION CENTER (SOAC):

The USSOCOM received direction in 1988 (from the DAE) to model the SOAC after the Marine Corps Research, Development, and Acquisition Center (MCRDAC). At that time, MCRDAC had approximately 270 assigned personnel. Given personnel limitations and restrictions, the SOAC's initial authorization for personnel was 130. The SOAC was created in 1991. The SOAC is a joint organization currently managing 200 programs which provide enhanced capabilities for Special Operations forces, and completed 17,344 contract actions during FY 1995. The SOAC developed a very lean acquisition organization that responds rapidly to their user in an accelerated manner. Operational tempo continues to increase and demands new material solutions to many crisis actions.

USSOCOM (the SOAC user) is in combat conditions somewhere in the world everyday. Given its small numbers of personnel and unique missions, it too can not survive any arbitrary or across the board reductions.

PROFESSIONAL DEVELOPMENT OF THE ACQUISITION WORKFORCE:

Education, training, and experience all play a vital role in career development of the acquisition professional. Professionally developing the workforce requires an extensive program encompassing a full spectrum of educational, training, assignment, personnel and development policies and activities. This is a continuous and dynamic requirement. Preparing a smaller, better-trained and educated force remains the goal. Accomplishing this requires adequate resources (time, funding and personnel), quality training and education institutions and faculty, and an available workforce. Adequately preparing our acquisition workforce to accomplish diverse acquisition missions and functions for now and the 21st century requires the Department's commitment and providing adequate resources. Reducing the workforce, modifying functional requirements and maintaining the DoD's accomplishments must remain an integral part of any and all right sizing and reorganization efforts involving the acquisition community.

ASSESSMENT OF SPECIFIC RESTRUCTURING OPTIONS

(SECTION 906 c. Required)

Section 906 c., specifically required assessment of consolidation alternatives and contracting for services relating to functions of the DCAA and Defense Contract Management Command. Most of the required options received consideration prior to this requirement. Following are results of previous assessments and reviews directly relating to the requirements of Section 906 c.

DCAA's ORGANIZATIONAL ASSESSMENT:

Shortly after the issuance of The Report of the National Performance Review (NPR), DCAA management performed an organizational assessment to determine how best to implement the NPR recommendations and associated DoD initiatives. This assessment resulted in establishing the following DCAA Organizational Assessment Goals (1994 - 1999):

- Close 50 field audit offices (34 percent)
- Reduce Headquarters, regions and field support activities by 129 positions (22 percent)
- Eliminate 515 GS-13 and above positions (42 percent)
- Reduce total Agency staffing by 1,235 positions (22 percent)
- Reduce regional audit managers by 50 percent (18 positions);
- Double the span of control from FY 1993 levels (1:4.5 to 1:9). Any levels beyond 1:9 will deter DCAA from meeting the field work standards of adequate supervision as mandated within the Generally Accepted Government Auditing

Standards. The supervisory auditor is the first level audit supervisor directly responsible for the audit work performed by the field auditors. DCAA's assessment focuses on this area because it makes up the largest percentage of the total supervisor and manager corp. To accomplish this increase DCAA is implementing participative workteam (PWT) techniques in all offices, and empowering managers and employees through greater delegation of authority (with accountability).

CONSOLIDATION AND OUTSOURCING STUDIES:

Subsection 906 c., required an assessment of specified restructuring options relating to DCAA:

- Consolidation of certain functions of DCAA and the Defense Contract Management Command (DCMC)
- Contracting for performance of a significant portion of the workload of DCAA and other Defense Agencies that perform acquisition functions

Recent evaluations of both of these options concluded that DCAA should remain an independent agency reporting to the Under Secretary of Defense (Comptroller), and there is no opportunity to contract for a significant portion of DCAA's workload.

CONSOLIDATION OF DCMC AND DCAA

Last year, a study was performed to consider a recommendation by the Commission on Roles and Missions of the Armed Services (CORM) to merge DCAA and DCMC. The study examined the missions, structures, and activities of each organization and concluded:

- There is no duplication in the missions or professional activities of DCAA and DCMC.
- There is no opportunity for meaningful cost reduction through a consolidation of DCAA and DCMC.
- The consolidation of DCAA and DCMC could be perceived by knowledgeable outsiders as organizationally impairing the contract auditor's independence.

The study recommended retaining DCAA as an independent agency reporting to the Under Secretary of Defense (Comptroller). The Deputy Secretary of Defense concurred with the findings and recommendation.

CONTRACTING OUT DCAA WORKLOAD:

The Defense Science Board Task Force on Outsourcing and Privatization recently reviewed all Defense agencies to assess opportunities to contract out significant portions of the agencies' workload. On 20 December 1995, DCAA briefed the Defense Science Board and clearly demonstrated that outsourcing contract audit will not improve quality, reduce costs, or streamline the audit process. The briefing emphasized the following points:

- The outsourcing of contract audit will result in substantially increased audit costs.
- The outsourcing of contract audit will result in a substantially lower quality of audit services.

- DCAA performs certain inherently governmental functions that cannot be outsourced.
- The difficulty (if not impossibility) of external auditors maintaining a privileged client relationship with contractors, while at the same time supporting government contracting officers (e.g., recommending cost disallowance or penalties).

At the briefing, the Defense Science Board members indicated agreement that there are no privatization opportunities for DCAA. The Defense Science Board's report, issued on August 28, 1996, does not recommend outsourcing any of DCAA's workload.

DCAA's restructuring and downsizing plans have been planned and executed to ensure that they continue accomplishing their mission without diminishing the quality of service to their customers.

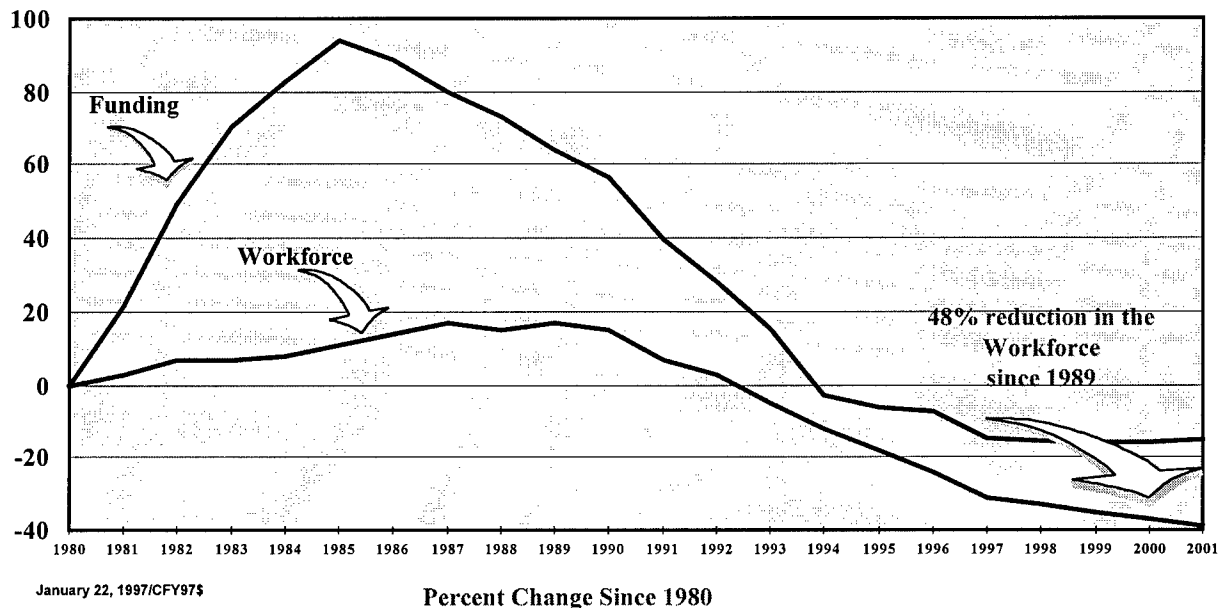
The Department's acquisition reform efforts and their Strategic Plan and Organizational Assessment goals are an integral part of DCAA's planned staffing reductions and organizational changes. Several of these initiatives and streamlining efforts were initiated prior to FY 1996, which allowed DCAA to prudently manage downsizing without disrupting the level or quality of audit services provide. As a result, they actually achieved a large part of their reductions prior to the FY 1996 - 2000 time frame.

RIGHT SIZING PROJECTION(S)

Over the decade of the 90's, the workforce in DoD acquisition organizations (all personnel w/no exemptions) will decrease by far more than the Section 906 target of 25%. The Department will accomplish an estimated **48% or more reduction**, barring major changes in the world situation. This is a very significant accomplishment. As the following chart indicates, the Department continues on a deliberate, consistent reduction path of personnel in acquisition

organizations.

ACQUISITION WORKFORCE (Acquisition Organizations)

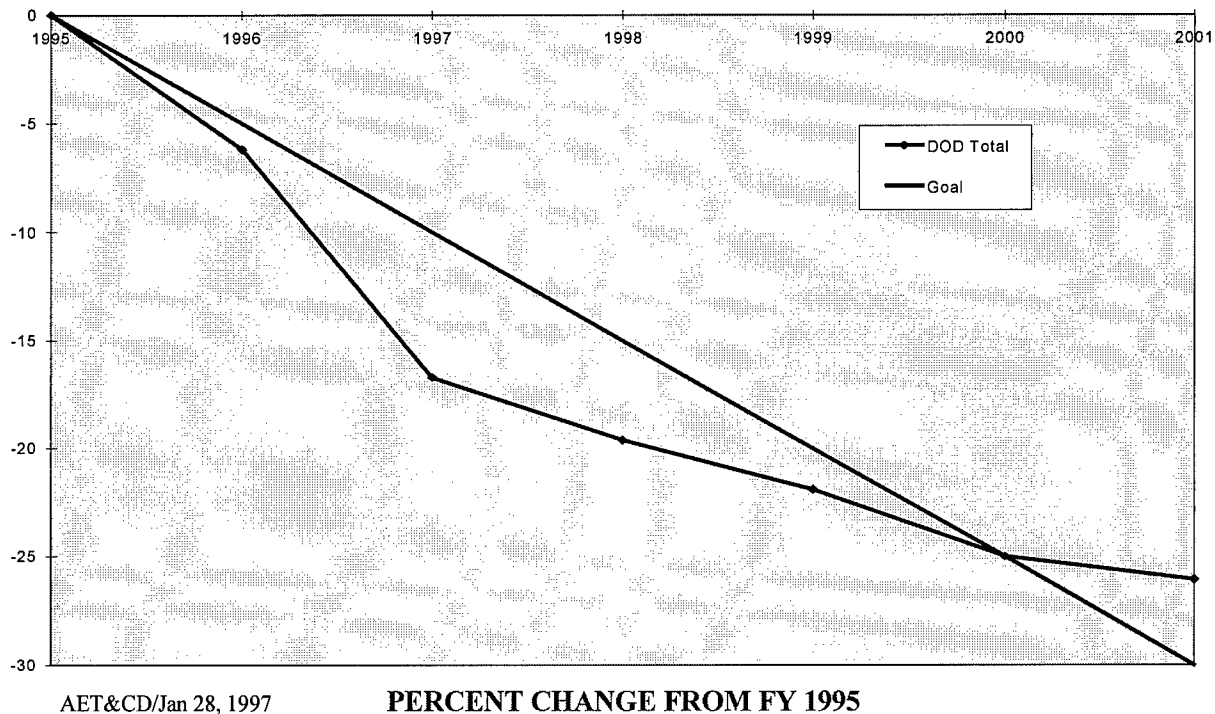


When comparing the Department's acquisition workforce right sizing results to other areas experiencing, acquisition workforce reductions outpace all of them. During this FY89 - FY01 period when the Department estimates a 48% personnel reduction in acquisition organizations, there is a corresponding 32% reduction in active duty military. In the same period, estimates for total civilian personnel reductions are 28.6%, defense related employment reductions of 36.9% and a DoD TOA (Total Obligation Authority) reduction of 32.4%. Additionally, while these significant right sizing activities are occurring in the DoD, estimates for total federal employment reductions in the FY89 - FY01 period are 18.6%. (Note: Data Source used to determine these comparisons and estimates are Tables 6-1, 7-5, of the National Defense Budget Estimates for FY 1996, April 1996, Office of the USD(Comptroller))

In evaluating the Department's estimated reductions responding to Section 906 a. & b., the following chart shows the results over the five year period, FY96 - FY00. This chart shows the DoD estimate that the acquisition workforce, defined as acquisition organizations, less any depot skilled trades personnel, will be 25% smaller at the end of FY00. We further estimate it will be 26% smaller by FY01.

ACQUISITION WORKFORCE

(Acquisition Organizations Less Depots)



Aggregating the Services and Components estimates, based upon their respective POM and FYDP, the Department believes that by the end of FY 2000, our acquisition workforce will be 25% smaller than FY95. The estimates further indicate, that by FY2001, this workforce will in fact be 26% smaller than the FY95 base year. As discussed above, this also is a significant result when coupled with the already large reductions from FY89 to FY95. These efforts result in eliminating duplicate functions, consolidation of organizations, simplification of procedures, improved professionalism, and increased efficiency throughout the Department.

KEY CONCERNS

The Department must manage any right sizing or restructuring efforts responsibly and not in an arbitrary or capricious way. It is essential to the nation's defense in the next century that we modernize the systems and equipment our forces will need in the years to come. It is also essential that the DoD act as responsible stewards for the taxpayer resources allocated for national defense. Equally important is that DoD's acquisition elements must be prepared for contingencies that may arise. To meet these bedrock responsibilities, sufficient numbers of well qualified, trained and managed acquisition professionals are essential. Historical trends in workforce size and present plans reflected in the President's budget show that the DoD keeps the workforce at a realistic and reasonable number. Further, the Department is taking the initiative to reduce it to a minimum.

An external constraint in the form of additional cuts above the departments current plans, is inappropriate as well as unnecessary and could put at risk elements of the acquisition mission. Additional personnel cuts will impact ongoing efforts to switch to commercial practices at our defense supply centers and depots. Furthermore, additional personnel reductions added on to the Department's plan will adversely impact:

- ongoing efforts to switch to commercial practices at our defense supply centers and depots,
- at privatizing,
- further acquisition reform implementation,
- management initiatives to reorganize,
- diminish the quality and effectiveness of CAS and associated return in cost savings and cost avoidance.

Major results from downsizing and acquisition reform are a right sized, high quality workforce to meet the current and future challenges of acquisition. To maintain the quality and ability to accomplish the mission of this reduced acquisition workforce requires: better education, better and broader training, more diverse experience and continued professional development. This requires improved and better overall management of the workforce and people related activities and programs, all goals of the DAWIA. Over the years, the DoD steadily moved in these directions and must now increase both the speed of change and our efforts to develop this smaller, higher quality acquisition workforce. Equally important is increasing our efforts to promote the cultural change so essential to the lasting success of both the acquisition reforms based in statutory change and those that are internal to the DoD.

In reviewing the Department's record of managing and right sizing the acquisition workforce, all concerned must choose both an appropriate definition of that workforce and the right time frame for evaluating the progress. For instance, the Air Force took significant actions in the late 1980s and early 1990s aggressively initiating acquisition reform efforts. Many of these major actions at reducing the acquisition workforce occurred prior to the Section 906 baseline of FY95, and aren't credited to the Department. In realigning the Air Systems and Air Logistics Commands into the Air Force Materiel Command in FY92, the Air Force reduced 12,000 manpower positions with this one structure change.

Though we constantly review workforce manning levels, level of effort (workload), and initiatives, not all organizations can be treated alike when evaluating reductions. For instance, the SOAC maintains a constant, everyday mission of supporting urgent SOF requirements. Any reduction to this small organization would have devastating effects on the organization and dramatically impact support to the deployed and deployable forces. Like the SOAC, the BMDO is experiencing significant mission additions that will necessitate changes in the number of personnel they have to accomplish their missions.

Processes utilized to identify installations or activities for closure should be applied equally to all the services. In some instances, Service identified realignments or activities for closure that assist in right sizing the acquisition workforce and infrastructure are delayed. Privatization actions the Air Force identified in the last round of BRAC considerations were put on hold until the FY01 time frame. Again, given an arbitrary baseline the Department can not receive acknowledgment for workforce reductions that

would occur from the identified actions because the involved Service or Agency wasn't allowed to execute them.

LEGISLATIVE BARRIERS/INHIBITORS

With respect to legislative constraints or limitations on the acquisition workforce, Congress should not impose any reductions in terms of workyears, end strength, full-time equivalent positions, or maximum number of employees. The Department believes it is adequately accomplishing the Secretary of Defense's responsibility to ensure that the number, skill mix and qualifications of the acquisition workforce are matched to the workload associated with each acquisition function, and appropriate mechanisms are in place to do that.

DoD must have the requisite resources for the necessary education, training, career development and acquisition workforce management. These are absolute must-fund areas since we can't afford the luxury of compartmentalized specialists in every facet and process of acquisition and because we must move to a team oriented, flatter management philosophy executed in future organizations. The budget submittals reflect an essential, minimum level of support for acquisition education and training which key to the expected success of both acquisition reform and workforce right sizing.

CONCLUSIONS

Processes are in place to size the acquisition workforce efficiently according to mission needs without putting at risk our ability to equip the warfighters, modernize against future threats, and safeguard resources the citizens entrust to us. The Department commitment to working closely and cooperatively with the Members and Congressional staffs is as strong as ever. The Department is proud of its track record in managing the acquisition workforce and organizational structures needed to accomplish our missions. This report is intended to capture the diversity of actions and significant results in the Department.

In summary, the DoD responses to a dynamic world, reduced budgets, changing missions and reform initiatives lead to right sizing the acquisition workforce. Since 1989, significant manpower reductions have been achieved thorough privatization, consolidation, and better business practices. As a result, management approaches incorporating organizational realignments, delegation of authority, decentralization, empowerment of employees, and accountability have been natural outgrowths. We expect this trend to continue. A further result of this workforce being 25% smaller by FY 2000, compared to FY 1995, is another example of the Department's firm commitment to obtaining the optimal,

Right-Sized, workforce and organization. This will equip the Department's acquisition organizations for the 21st Century and improved support to our War Fighters!

APPENDIX A. The Section 906 Workgroup

-ODUSD(Acquisition Reform) Acquisition Education, Training & Career Development	LTC Bill Weir
-OUSD(A&T) Directorate, Acquisition Program Integration	Mr. Stan Azebu
-OUSD(Personnel & Readiness)	Ms. Linda Gileau
-United States Army, Office of the Director for Acquisition Career Management	Mr. Keith Charles LTC Earl Rassmussen
-United State Army	Mr. Bill Gethers
-United States Navy, Office of the Director for Acquisition Career Management	Ms. Jean Guilford
-United States Navy	Ms. Judy Read Mr. Ric Voigt
-United States Air Force	COL Booth Ms. S.B. Chastain Ms. Diana Daye
-United States Air Force, Office of the Director, Acquisition Career Management	LTC Dick Vantine
-Office of the Secretary of Defense DA&M	Mr. Ralph Kennedy
-Defense Logistics Agency	Mr. Mark Cunningham
-Ballistic Missile Defense Organization	Ms. Gail Gallant
-Defense Contract Audit Agency	Mr. Michael Thibault Mr. Earl Newman
-United States Special Operations Command, Acquisition Center	Mr. Ollie Donelan MAJ Clem

Ms. Jenifer Doyle

-OUSD(A&T)
Director for Administration

Ms. Ann Reese

APPENDIX B. Department of Defense Acquisition Organizations

DoD ACQUISITION ORGANIZATIONS

(DoDI 5000.58 Including Subordinate Organizations or Any Successor Organizations of these Commands)

- **Under Secretary of Defense (Acquisition & Technology)**
- **ARMY:**
 - ◆ Army Acquisition Executive
 - ◆ Army Materiel Command
 - ◆ Army Information Systems Command
 - ◆ Army Strategic Defense Command
- **NAVY:**
 - ◆ Assistant Secretary of the Navy (Research, Development & Acquisition)
 - ◆ Naval Sea Systems Command
 - ◆ Naval Air Systems command
 - ◆ Naval Supply Systems Command
 - ◆ Naval Facilities Engineering Command
 - ◆ Space and Naval Warfare systems Command
 - ◆ Office of the Chief of Naval Research
 - ◆ Navy Strategic Systems Program Office
 - ◆ Navy Program Executive Officer/Direct Reporting Program Manager Organization
 - ◆ Marine Corps Research, development, and Acquisition Command
- **AIR FORCE:**
 - ◆ Assistant Secretary of the Air Force (Acquisition)
 - ◆ Air Force Systems Command
 - ◆ Air Force Logistics Command
 - ◆ Air Force PEO Organization
- **Defense Logistics Agency**
- **Ballistic Missile Defense Organization**
- **Special Operations Command (Acquisition Center only)**

(Source: DoDI 5000.58, pages 2-1 to 2-2.)

APPENDIX C. Historical Background and Information for the BMDO:

As one of the smallest defense agencies from its inception through the early 1990s, BMDO, then the strategic Defense Initiative Organization (SDIO), was charged with the management and oversight of the largest research and development (R&D) program within the Department of Defense (DoD). The administrations during that period placed a high priority on development and deployment of a Ballistic Missile Defense (BMD) system. To accomplish this mission, SDIO relied on a small internal government staff, resources provided by the Services, and a large number of support contractors.

In that same era, as technical programs grew, so too did the organization's management support requirements. In compliance with federal guidance for contractor cost effectiveness decisions, BMDO obtained many services through private sources. Using contract vehicles provided the most efficient and cost effective means of meeting rapidly expanding infrastructure requirements. BMDO has continued this philosophy today. Through maintaining contractual flexibility, BMDO is operating a cost effective, requirements driven infrastructure.

In 1992, BMDO had 259 authorized government employees to manage the largest and most complex R&D program in DoD. At that time, BMDO was using contracts to procure the technical scientific, and engineering support required to accomplish its mission. However, in 1993, a congressional review of BMDO questioned the agency's heavy reliance on the use of support service contractors to accomplish its mission. Congress expressed concerns over the ability of a limited number of BMDO employees to adequately direct and manage the execution of the BMD Program and provide adequate oversight of its support contractors at the same time. Hence, Section 236 of the 1993 DoD Authorization Act limited BMDO's contractor workforce. Consequently, since 1992, SDIO and now BMDO have reduced contractor by over 1,000 workyears.

At the same time Section 236 required SDIO to reduce spending on support service contractors, it also directed DoD to determine the proper workforce levels (military and civilian) for the agency. This study determined that the agency required an additional 453 civilian personnel to accomplish its mission and properly manage its support contracts. In FY 1994, it was authorized an increase in the government workforce from 259 to 712 (military and civilian) positions. Since this initial authorization of 453 additional civilian billets, the organization has undergone a number of mission changes, a name change that reflects the change in mission, two reorganizations to better accomplish new missions. In recognition of these changes, BMDO also reduced manpower requirements by 201 civilian authorizations over the FYDP, a 34 percent reduction, which is a significant contribution to the overall DoD downsizing. Of those employees added to the roles since 1994, the vast majority are involved in directing the execution of the program, performing inherently governmental functions, and maintaining oversight of technical contractors and the executive agents. Also, as a result, currently BMDO has reduced the contractor to government ratio from approximately 7:1 to 2:1, a significant difference.

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: A Report to the United States Congress. Right-Sizing the Department of Defense Acquisition Workforce

B. DATE Report Downloaded From the Internet 11/23/98

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): Department of Defense
Office Under Secretary of Defense
(Acquisition & Technology)
Washington, DC

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: VM_ **Preparation Date:** 11/23/98__

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